

(c) The Agency will withdraw funds from a supervised bank account without borrower counter-signature only for the following purposes:

- (1) For application on Agency indebtedness;
- (2) To refund Agency loan funds;
- (3) To protect the Agency's lien or security;
- (4) To accomplish a purpose for which such advance was made; or
- (5) In the case of a deceased borrower, to continue to pay necessary farm expenses to protect Agency security in conjunction with the borrower's estate.

§ 761.55 Closing a supervised bank account.

(a) If the supervised bank account is no longer needed and the loan account is not paid in full, the Agency will determine the source of the remaining funds in the supervised bank account. If the funds are determined to be:

- (1) Loan funds:
 - (i) From any loan type, except Youth loan, and the balance is less than \$1,000, the Agency will provide the balance to the borrower to use for authorized loan purposes;
 - (ii) From a Youth loan, and the balance is less than \$100, the Agency will provide the balance to the borrower to use for authorized loan purposes;
- (2) Loan funds:
 - (i) From any loan type, except Youth loan, and the balance is \$1,000 or greater, the Agency will apply the balance to the FLP loan;
 - (ii) From a Youth loan, and the balance is \$100 or greater, the Agency will apply the balance to the FLP loan;
- (3) Normal income funds, the Agency will apply the balance to the remaining current year's scheduled payments and pay any remaining balance to the borrower; and
- (4) Basic security funds, the Agency will apply the balance to the FLP loan as an extra payment or the borrower may apply the balance toward the purchase of basic security, provided the Agency obtains a lien on such security and its security position is not diminished.

(b) If the borrower is uncooperative in closing a supervised bank account, the Agency will make written demand to the financial institution for the bal-

ance and apply it in accordance with paragraph (a) of this section.

(c) In the event of a borrower's death, the Agency may:

- (1) Apply the balance to the borrower's FLP loan;
- (2) Continue with a remaining borrower, provided the supervised bank account was established as a joint tenancy with right of survivorship account;
- (3) Refund unobligated balances from other creditors in the supervised bank account for specific operating purposes in accordance with any prior written agreement between the Agency and the deceased borrower; or
- (4) Continue to pay expenses from the supervised bank account in conjunction with the borrower's estate.

§§ 761.56-761.100 [Reserved]

Subpart C—Supervised Credit

§ 761.101 Applicability.

This subpart applies to all direct applicants and borrowers, except borrowers with only Non-program loans.

§ 761.102 Borrower recordkeeping, reporting, and supervision.

(a) A borrower must maintain accurate records sufficient to make informed management decisions and to allow the Agency to render loan making and servicing decisions in accordance with Agency regulations. These records must include the following:

- (1) Production (e.g., total and per unit for livestock and crops);
- (2) Revenues, by source;
- (3) Other sources of funds, including borrowed funds;
- (4) Operating expenses;
- (5) Interest;
- (6) Family living expenses;
- (7) Profit and loss;
- (8) Tax-related information;
- (9) Capital expenses;
- (10) Outstanding debt; and
- (11) Debt repayment.

(b) A borrower also must agree in writing to:

- (1) Cooperate with the Agency and comply with all supervisory agreements, farm assessments, farm operating plans, year-end analyses, and all

§ 761.103

other loan-related requirements and documents;

(2) Submit financial information and an updated farm operating plan when requested by the Agency;

(3) Immediately notify the Agency of any proposed or actual significant change in the farming operation, any significant changes in family income, expenses, or the development of problem situations, or any losses or proposed significant changes in security.

(c) If the borrower fails to comply with these requirements, unless due to reasons outside the borrower's control, the non-compliance may adversely impact future requests for assistance.

§ 761.103 Farm assessment.

(a) The Agency assesses each farming operation to determine the applicant's financial condition, organizational structure, management strengths and weaknesses, appropriate levels of Agency oversight, credit counseling needs, and training needs. The applicant will participate in developing the assessment.

(b) The initial assessment must evaluate, at a minimum, the:

- (1) Farm organization and key personnel qualifications;
- (2) Type of farming operation;
- (3) Goals for the operation;
- (4) Adequacy of real estate, including facilities, to conduct the farming operation;
- (5) Adequacy of chattel property used to conduct the farming operation;
- (6) Historical performance;
- (7) Farm operating plan;
- (8) Loan evaluation;
- (9) Supervisory plan; and
- (10) Training plan.

(c) An assessment update must be prepared for each subsequent loan. The update must include a farm operating plan, a loan evaluation, and any other items discussed in paragraph (b) of this section that have significantly changed since the initial assessment.

(d) The Agency reviews the assessment to determine a borrower's progress at least annually. The review will be in the form of an office visit, field visit, letter, phone conversation, or year-end analysis, as determined by the Agency.

7 CFR Ch. VII (1-1-08 Edition)

§ 761.104 Developing the farm operating plan.

(a) An applicant or borrower must submit a farm operating plan to the Agency, upon request, for loan making or servicing purposes.

(b) An applicant or borrower may request Agency assistance in developing the farm operating plan.

(c) The farm operating plan will be based on accurate and verifiable information.

(1) Historical information will be used as a guide.

(2) Positive and negative trends, mutually agreed upon changes and improvements, and current input prices will be taken into consideration when arriving at reasonable projections.

(3) Projected yields will be calculated according to the following priorities:

(i) The applicant or borrower's own production records for the previous 3 years;

(ii) The per-acre actual production history of the crops produced by the farming operation used to determine Federal crop insurance payments, if available;

(iii) FSA Farm Program actual yield records;

(iv) County averages;

(v) State averages.

(4) If the applicant or borrower's production history has been substantially affected by a disaster declared by the President or designated by the Secretary of Agriculture, or the applicant or borrower has had a qualifying loss from such disaster but the farming operation was not located in a declared or designated disaster area, the applicant or borrower may:

(i) Use county average yields, or state average yields if county average yields are not available, in place of the disaster year yields; or

(ii) Exclude the production year with the lowest actual or county average yield if their yields were affected by disasters during at least 2 of the 3 years.

(d) Unit prices for agricultural commodities established by the Agency will generally be used. Applicants and borrowers that provide evidence that they will receive a premium price for a commodity may use a price above the price established by the Agency.